

## **DECISION MEMORANDUM**

**TO: COMMISSIONER KEMPTON  
COMMISSIONER SMITH  
COMMISSIONER REDFORD  
COMMISSION SECRETARY  
COMMISSION STAFF  
LEGAL**

**FROM: WELDON STUTZMAN  
DEPUTY ATTORNEY GENERAL**

**DATE: NOVEMBER 16, 2009**

**SUBJECT: IDAHO POWER'S APPLICATION FOR AN ACCOUNTING ORDER TO  
AMORTIZE ACCUMULATED DEFERRED INCOME TAX CREDITS  
AND APPROVING A STIPULATION, CASE NO. IPC-E-09-30**

On November 6, 2009, Idaho Power Company filed an Application requesting a Commission Order to authorize the Company to amortize accumulated deferred investment tax credits (ADITC), and approving a Stipulation signed by the Company, Staff and five other parties. The Stipulation calls for a moratorium on a general rate case; establishes Idaho Power's permitted use of ADITC for the years 2009, 2010 and 2011; establishes a sharing mechanism for potential revenue sharing; and proposes base rate adjustments based on results of the 2010 annual Power Cost Adjustment (PCA).

The Stipulation states that Idaho Power will not file a general rate case that would change its revenue requirement and resulting rates to become effective prior to January 1, 2012. The rate case moratorium does not affect other revenue requirement proceedings, such as the PCA, the fixed cost adjustment (FCA), an annual advanced metering infrastructure rate adjustment, an annual pension expense recovery, or the energy efficiency rider adjustment.


The Accounting Order the Company requests affects its use of ADITC. If the Company's return on equity falls below 9.5%, the Company would be permitted to amortize additional ADITC in an amount up to \$45 million over the three-year period 2009-2011. The Company could use no more than \$15 million of additional amortization in one year (unless there is a carryover), and if the Company's return on equity exceeds 10.5%, the Company will share 50% of any profits in excess of a 10.5% return on equity with customers.

The Stipulation also proposes base rate adjustments based on 2010 PCA results. Because Idaho Power and the parties anticipate the PCA rate calculation for 2010 will be a substantial reduction in PCA rates, the Company will request that the Commission change the base level for net power supply expenses to be used for both base rates and PCA calculations. The Stipulation provides that 2010 PCA reduction up to the first \$40 million will be allocated equally between customers and the Company. The Company's share of this PCA rate reduction would be applied to increase permanent base rates on a uniform percentage basis to all customer classes and contract customers. The customers' share of this PCA rate reduction would be a direct customer rate reduction. All of the PCA rate reduction above \$40 million up to \$60 million will be provided directly to customers as a rate reduction. A 2010 PCA rate reduction in excess of \$60 million will be applied to absorb any increase in the base level for net power supply expenses. If the 2010 PCA rate reduction exceeds \$60 million, plus the established increase in base net power supply expenses, the next \$10 million will be shared equally between the Company and its customers and any remainder will go entirely to customers.

Idaho Power filed direct testimony and exhibits to support its request for approval of the settlement Stipulation and an Accounting Order. The Company also requests that the Application be processed by Modified Procedure. Staff recommends, however, that the Commission first issue a Notice of Application and period of intervention (14 days), and determine whether Modified Procedure is appropriate after the intervention period has closed.

#### **COMMISSION DECISION**

Should the Commission issue a Notice of Application and a 14-day period for intervention?



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Weldon B. Stutzman  
Deputy Attorney General

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